

Message Text

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ORIGIN NEA-10

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FM SECSTATE WASHDC

TO AMEMBASSY CAIRO

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E.O. 11652: N/A

TAGS: EAGR, EG

SUBJECT: MINISTER SHAZLY'S DISCUSSIONS IN WASHINGTON

REF: STATE 054690

1. MINISTER SHAZLY AND AMBASSADOR GHORBAL MET WITH AGRICULTURE SECRETARY BUTZ, ASSISTANT SECRETARY BELL AND OTHERS ON MARCH 4 AND DISCUSSED THE FOLLOWING SUBJECTS.
1. FULL MEMCON IS BEING POUCHED.

2. AMBASSADOR GHORBAL OPENED BY NOTING THE EGYPTIANS WERE WITHDRAWING THEIR REQUEST FOR 200,000 METRIC TONS OF RICE UNDER PL-480. EGYPTIANS APPARENTLY HAVE REDUCED THE QUANTITY OF RICE THEY PLAN TO EXPORT FROM 200,000 METRIC TONS TO 80,000 METRIC TONS. IN VIEW OF THIS AND THE DIFFICULTY OF OUR FINANCING IMPORTS TO A RICE EXPORTING COUNTRY, EGYPTIANS DECIDED TO WITHDRAW THEIR REQUEST.

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3. MINISTER SHAZLY THEN REQUESTED THE QUANTITY OF WHEAT

SUPPLIED UNDER PL-480 BE INCREASED TO 2.5 MILLION OR 3 MILLION METRIC TONS A YEAR, RATIONALE BEING THAT IT DOES NOT MAKE SENSE FOR US TO HELP THE EGYPTIANS FINANCIALLY WHILE AT THE SAME TIME ASKING THEM TO PURCHASE 2.5 MILLION TONS OF WHEAT FOR HARD CURRENCY. HE MENTIONED THE AUSTRALIAN WHEAT PURCHASE WAS A ONE YEAR AGREEMENT WITH

ONLY 18 MONTH CREDIT TERMS. SECRETARY BUTZ POINTED OUT SUCH AN INCREASE WOULD TAKE ABOUT ONE-HALF OUR TOTAL PL-480 WHEAT BUDGET AND OTHER RECIPIENT COUNTRIES MUST BE TAKEN CARE OF. THE SECRETARY ADDED HOWEVER THEIR REQUEST WOULD BE CONSIDERED WHEN NEXT YEAR'S PROGRAM IS PLANNED.

4. ON THE TRANSITIONAL QUARTER, MINISTER SHAZLY ASKED HOW MUCH WAS PLANNED FOR EGYPT AND MR. BELL INDICATED 250,000 METRIC TONS OR ONE-FOURTH OF THE FY-76 FIGURE. THE EGYPTIANS INDICATED THEY COULD USE MORE.

5. SHAZLY THEN REQUESTED 100 MILLION DOLLARS WORTH OF VEGETABLE OIL. MR. BELL INDICATED THIS WOULD BE ABOUT 33 MILLION POUNDS OF COTTONSEED OIL BUT ASKED HOW MUCH COULD BE USED AS SOYBEAN OIL. SHAZLY STATED THAT STARTING IN JUNE THEY COULD USE 100,000 METRIC TONS OF SOYBEAN OIL AND THEY WOULD LIKE THE SOYBEAN OIL UNDER PL-480 BEGINNING WITH THE THIRD QUARTER. NO COMMITMENT WAS MADE TO THE EGYPTIANS.

6. THE MINISTER THEN REQUESTED 85,000 METRIC TONS OF CORN UNDER PL-480. MR. BELL INDICATED U.S. IS NOT PROGRAMMING CORN TO ANY EXTENT BUT WE SHOULD CONSIDER THEIR REQUEST.

7. AS INDICATED IN REFTEL, MINISTER SHAZLY REQUESTED THAT WE DEFER SETTING AN EXACT FIGURE FOR WHEAT FLOUR IMPORTS UNDER THE RECENTLY SIGNED PL-480 AMENDMENT.

8. FYI. OUR PLANNING LEVELS FOR TITLE I TO EGYPT IN FY-77 INCLUDE 1 MILLION TONS OF WHEAT/WHEAT FLOUR AND ABOUT 4,000 TONS TOBACCO. WE DO NOT NOW HAVE ANY CLEAR EXPECTATION THESE LEVELS CAN BE INCREASED. DESPITE LIMITED OFFICIAL USE

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PARA 2 ABOVE, GHORBAL TODAY INFORMED BELL THAT EGYPT IS STILL INTERESTED IN RICE THIS YEAR. USDA EXAMINING POSSIBILITIES, AND NEEDS ANSWERS TO SPECIFIC QUESTIONS IN STATE 15627 OF JANUARY 22 ASAP. END FYI. KISSINGER

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